

**Joint Statement of Herbert D. Kelleher, Executive Chairman, and
Gary C. Kelly, CEO, of Southwest Airlines Co.**

**Before the
Committee on Transportation and Infrastructure
United States House of Representatives
April 3, 2008**

Chairman Oberstar, Ranking Member Mica, Members of the Committee:

This Committee has raised important issues, both for Southwest and for the airline industry in general, and we want to assure you that we are working aggressively to address those issues.

- **Safety is Southwest Airlines' top priority**

Safety is the top priority for both of us. And it is Southwest Airlines' top priority. On this, you have our personal commitment on behalf of 34,000 Southwest Employees. The need to be safe is part of our history, our culture and our Company DNA.

Being safe is the right thing to do, and it is the law. Airlines are held to the highest standard of care when it comes to passenger safety. Since our Employees and their loved ones are our most frequent flyers, we also have a powerful personal motivation to be vigilant when it comes to safety. And, in addition to being a legal, moral, and personal imperative, being unsafe would be the worst business strategy any airline could have.

We are extremely proud of our Employees — all of whom are owners — but none more so than the safety professionals in our Maintenance and Engineering Department, some 2,500 members strong. Our maintenance Employees are represented by the Aircraft Mechanics Fraternal Association (AMFA), and we work closely with AMFA's leadership. Our maintenance work force has a record second to none, is the most productive in the industry, and these fine people deserve the industry leading pay and benefits they receive. They have never suffered a furlough, nor has any other Southwest Employee.

Members of this Committee may have heard from AMFA as well as the Southwest Airlines Pilots Association (SWAPA), our pilots' union, attesting to their faith in, and their personal commitment to, the safety culture at Southwest. We are deeply grateful for their steadfast support and their dedication to our mutual effort to improve our Company.

- **Southwest has an unparalleled safety record**

Over our 37-year history, Southwest has flown over 16 million flights and has served almost 1.2 billion Customers – four and one-half times the entire population of the United States. We have transformed commercial aviation into a system of affordable transportation for the public at large and have done so with an outstanding record of safety. This unparalleled safety record has been attained in part through a cooperative partnership effort between the airline industry and the FAA. While the closeness of that relationship is now under scrutiny, it cannot be denied that the FAA and the airlines have worked together to produce a safe and successful airborne transit system.

- **To maintain our outstanding safety record, we must continuously improve**

Southwest is, and always has been, a leader in developing safety programs. An abbreviated and by no means complete list of safety initiatives is attached to this testimony. We are also aware that constant vigilance and continuous improvement are necessary to maintain our excellent safety record. We cannot rest on our laurels. We cannot simply rely on what we have done in the past. It is imperative that we continuously improve our safety systems.

While the last month has been a very difficult time for all of us at Southwest Airlines, we want to assure you and the flying public that we take this matter very seriously and will apply Southwest's strong commitment to safety to make all changes necessary to improve our Airworthiness Directive ("AD") and regulatory compliance systems and ensure that our outstanding safety record continues into the future.

- **Southwest has vast experience with 737s**

To say the least, the airline industry is challenging. Still, Southwest has done quite well. Starting with just three planes flying to three cities in 1971, Southwest has grown to be the largest carrier of passengers in the world with an all-Boeing fleet of over 500 737s. Southwest was the launch Customer for three models of the 737: the -300, -500, and -700. As the airline of choice for 100 million people last year, and the largest 737 operator by far, Southwest has more experience with 737s than any other airline in the world.

Ironically, the very AD at issue in this investigation might not have come about had it not been for Southwest's vast experience and expertise with the

737. The AD was based on a Boeing Service Bulletin. That Service Bulletin, in turn, was based in large part on a pre-existing maintenance program developed by Southwest. It was our observations with respect to cracking of the “chemically-milled” 737 skin panels on the Classic 737-300 and the 737-500, coupled with our own rigorous inspection program (conducted four times as often as the AD inspections), that were the genesis of the Boeing Service Bulletin and the “Chem Mill” AD.

- **Southwest has invested continuously in its fleet of 737s, both by purchasing new aircraft and by making voluntary aircraft improvements**

Through boom and bust cycles in a notoriously tough business, Southwest has consistently invested in new airplanes and upgraded our fleet. Southwest's large fleet is modern – on average under 10 years of age. Boeing credits Southwest with single-handedly keeping the 737 assembly line open on two separate occasions: once during the Gulf War when oil prices spiked and a deep recession diminished passenger traffic, and again after 9/11.

In addition to purchasing new aircraft, Southwest has invested continuously to make sure each of our aircraft operates safely and efficiently. On average, each plane receives roughly \$1.6 million in voluntary improvements and maintenance per year. In 2007 alone, Southwest invested \$826 million in maintenance materials, repairs and modifications for our fleet, which represents a 25 percent increase over 2006.

Southwest has also made a series of expensive, voluntary improvements to our Classic 737-300/500s, including an effort to reduce the occurrence of skin

cracks. For example, in 2003, Southwest worked with Boeing and the FAA to develop a modification program to replace the existing chemically-milled window belt skins with new solid skin panels. In 2004, Southwest initiated a study to pinpoint areas of the Classic 737 fuselage that are most subject to skin cracks. We worked closely with Boeing and the FAA to develop a new Service Bulletin, which Southwest uses today to guide the replacement of the existing skin panels. The installation of these new panels is a permanent repair and eliminates many of the problems identified in the six ADs addressing 737 Classic skin cracks. These modifications are very expensive and are purely voluntary on the part of Southwest Airlines.

- **The Boeing 737 Classic Design**

The Boeing 737 Classic was designed with a “fail-safe structure” that affords a superb margin of safety. The fuselage design is “fail-safe” because there are three independent structural elements: the external skin, the internal “bonded doubler,” and the aircraft frames and stringers. This design allows skin cracks and other skin damage to occur without compromising structural integrity. The first three attachments to this testimony attest to the level of safety afforded by the current version of the 737. The first attachment is a statement from Boeing that confirms, based on its review of our fleet’s history and test data, as well as other inspections and maintenance previously incorporated, that safety of flight was never compromised in March 2007. The second is a detailed explanation of the 737’s fail-safe design from Boeing, which explains why a missed inspection, standing alone, would not present a safety of flight risk. The

third is a statement from Gregory A. Feith, a noted aviation expert and former NTSB Investigator-in-Charge, confirming that there was no risk to the flying public in March 2007.

It should be noted that the aircraft involved in the 1988 Aloha Airlines incident, a Boeing 737-200 that first entered commercial service in 1969, was an early, non-advanced 737 that used production techniques that are different from anything found in Southwest's current fleet.

- **Aircraft Inspections**

It is also important to dispel the misimpression that we did not inspect our airplanes for skin cracks. Nothing could be further from the truth. On a regularly scheduled basis, we perform an overlapping, repetitive, and comprehensive series of inspections of our 737s to detect skin cracks, literally inspecting every inch of the aircraft. For example, the following inspections are routinely performed:

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| MV1: | Performed overnight on all aircraft that remain overnight at Southwest maintenance stations, at least every four days. A walk-around inspection is performed on all areas, including the fuselage, to ensure safety of flight items. |
| MV2: | Performed overnight every seven days. More in-depth than the MV1, including an inspection of fuselage, cabin and servicing items. |
| MV3: | Performed overnight every 50 days. A much more comprehensive inspection that includes all MV1 and MV2 inspection requirements plus the lubrication of components. |
| Cabin Visit: | Performed overnight every 100 days. An intermediate check, includes interior tasks, fuselage, wing and engine inspections. |

HC checks: Performed overnight every 250 days. These checks perform intensive fuselage and wing inspections, and also include functional tests of various systems.

Y checks: Performed over two to three weeks at a two-year interval. This is a “heavy” inspection of fuselage and wings, including several Systems Tests.

In addition to these regularly-scheduled inspections, there are also skin inspections required by six different ADs, which encompass over 1100 pages of instructions. The combination of Southwest’s regularly-scheduled maintenance and AD-mandated inspections make our 737 Classic aircraft one of the most carefully and thoroughly inspected aircraft fleets in the world.

The March 2007 events were triggered when Southwest undertook a modification of certain “lap joints” on our aircraft. Once this FAA and Boeing approved modification is performed, it resolves the skin crack issue addressed by the 2004 AD, eliminating the need for more frequent skin inspections in most of the affected areas. The record-keeping error we made with respect to interrelated ADs, was that our inspection paperwork did not include a small portion of the hull that still needed to be inspected under the 2004 AD even after the lap joint modification was performed.

Contrary to some suggestions, we did not miss an inspection. We conducted the required inspections. But, we inadvertently omitted a small area (0.6% of the skin surface) that ordinarily should have been specifically inspected under the AD. The “missed” area continued to be inspected by our other regular and routine inspections, as well as by an additional AD that called for crack

inspections along a line that ran within 0.7 inches of the short length of the “missed” area.

We do not say these things as an excuse for any compliance irregularity, but wish to dispel any perception that we did not inspect our aircraft.

- **Regulatory compliance must be taken seriously**

The analysis supporting the safety of the Boeing 737 should not be construed to suggest that we take regulatory compliance lightly. We continuously monitor our compliance with ADs, and it was pursuant to such an internal audit that we discovered this potential “non-compliance” on our own and took the initiative to inform the FAA. A failure to comply with Federal Aviation Regulations is unacceptable. For that reason, we are taking immediate steps to improve our regulatory compliance systems and auditing.

- **The March 2007 events**

The controversy surrounding Southwest’s March 2007 skin crack inspections first came to our attention on February 13, 2008, during discussions of an early February Business Week magazine article entitled, “Airline Safety: A Whistleblower’s Tale.” Due to the serious allegations asserted, our General Counsel had directed an immediate independent investigation led by outside counsel, which we fully endorsed. That investigation continues to-date. Then on March 5, 2008, Southwest learned, for the first time, that the FAA proposed a civil penalty in connection with these events.

- **Whistleblower allegations**

On March 7, 2008, Chairman Oberstar held a news conference at which he described some of the allegations made by “whistleblowers” within the FAA. This was the first notice we had of any details about the allegations made by the FAA whistleblowers. Obviously, we were concerned about the allegations outlined at this news conference. Our investigation of this matter was ordered to be expedited. On March 10, 2008, we received the preliminary results.

- **Two issues needed to be addressed**

Two issues had to be addressed immediately. The first was that better judgment should have been exercised than to allow those aircraft to fly after the potential non-compliance was discovered. The second was that senior management should have been consulted on such a significant issue, but was not.

- **Was flight safety compromised?**

As always, our first concern was safety, and whether flights were allowed to operate in an unsafe manner. The regulatory compliance issue is a serious one, but, it was critically important to us, Southwest's Employees and our Customers to know whether it was safe to fly. So, we contacted The Boeing Company for its expert opinion, as well as former NTSB Investigator-in-Charge, Gregory A. Feith. Again, those statements are attached hereto for the record. Both confirmed, based on their expert knowledge of the 737 and our comprehensive maintenance program, that “safety was not compromised,” and “there was no risk to the flying

public in March 2007.” Neither expert was asked to address whether we were in compliance with FAA regulations, which remains a separate and important issue.

- **SWA took immediate action**

On March 10, the same day we received a preliminary briefing on our investigation, Southwest took the following actions:

- Confirmed that senior management will be involved in all decisions of this magnitude
- Reaffirmed to Maintenance and Engineering Department leadership that we will not operate aircraft if there is any credible evidence of AD non-compliance
- Placed on leave the regulatory compliance Employees involved in the March 2007 event

Southwest also initiated a number of additional efforts to strengthen our maintenance and engineering, regulatory compliance, and AD compliance functions, including the following:

- Review of these functions by outside independent experts
- Audit of all open FAA Airworthiness Directives
- Reorganize AD and regulatory compliance functions
- Restructure our Continuing Analysis and Surveillance System
- Increase the number, scope and frequency of audits
- Add more stringent documentation of AD/Maintenance Plan changes

When Southwest, the FAA and independent consultants complete their reviews, we will act quickly to evaluate all findings and recommendations, and incorporate all appropriate changes into our existing processes.

- **Foreign outsourcing of maintenance work**

Separately, we have decided not to move forward with plans to conduct certain maintenance operations in El Salvador, which were to begin in June of 2008. On this point, let us be clear. The decision not to outsource maintenance to a licensed facility in El Salvador was not due to a lack of confidence in the vendor, a fine and respected company by the name of Aeroman. Aeroman has a proven track record. Aeroman has demonstrated its capabilities and its professionalism. The decision to alter our plans with respect to Aeroman was made entirely on the basis that given the intense scrutiny being given to our entire maintenance operation, top to bottom, now was not the time to add complexity with significant changes to our maintenance operations. Rather, now is the time to focus strictly on the regulatory compliance of our existing maintenance operations.

- **Southwest will improve and not merely rest on its safety record**

We want to assure Congress that Southwest will not rest on our safety record, no matter how good it may be. We can and we must strive to seek out any weaknesses and improve on them. We commit to you that we will constructively and aggressively react to the issues raised by this Committee in order to keep our proud, safe airline the safest in the world. Our Southwest people and our Customers demand nothing less.